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SIPDIS

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E.O. 12958: N/A

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SUBJECT: AMBASSADOR'S LUNCH WITH TRANSPORT MINISTER  
COLLENETTE

11. (U) THIS MESSAGE IS SENSITIVE, BUT UNCLASSIFIED. PLEASE  
TREAT ACCORDINGLY.

#### SUMMARY

12. (SBU) Transport Minister Collette indicated to  
Ambassador on January 31 that the GOC is ready to start  
"exploratory talks" on further aviation liberalization with  
the United States. Collette admitted that his government  
sees little in cargo co-terminalization for Canada - too many  
small cargo jobs would be lost and Hamilton's future as the  
cargo hub in Canada would be threatened. He suggested two  
longer-range topics: how to deal with the EU and what the  
"North American air zone" is likely to be ten years from now.  
When pressed, however, Collette said that there was no  
aviation issue that the GOC would preclude from discussion.  
In sum, talks should start with no preconditions. After all,  
the Deputy Transport Minister added, in the two years leading  
up to the current Open Skies agreement, there were  
far-ranging talks that helped to lay the groundwork for the  
quick successful agreement we did reach. It seems we are  
ready to embark on a similar period now, Ranger concluded.

13. (SBU) On other issues, Collette agreed with the USG that  
the European Commission's recommendation to have Galileo use  
the same frequencies as those used by the military makes no  
sense and the GOC will support our efforts to counter the EC.  
There was also a brief discussion of infrastructure issues  
at major land border crossings, with Collette remarking  
that more inspectors are needed to help reduce line-ups. End  
Summary.

14. (U) Canadian Minister of Transport David Collette hosted  
Ambassador Cellucci over lunch on January 31. His Deputy  
Minister Louis Ranger and Chief of Staff Sue Roland joined  
Collette. DCM and Econ MinCouns accompanied the Ambassador.

#### Galileo

15. (SBU) Ambassador began the working lunch with a short  
explanation of why the USG is deeply concerned with the  
European Commission's recommendation that Galileo uses the  
same frequencies as those used by the military. The Minister  
said he was very familiar with the issue and could not agree  
more with the US position. While he does not have the lead  
in Cabinet on this, other ministers are aware of the problem  
and all are united that the Europeans should abandon it.

#### Homeland Security

16. (SBU) Collette then went on to say that he and other  
senior GOC officials are quite anxious to get to know the new  
USG Homeland Security team. At various times during the  
lunch, the Minister explained the excellent state of working  
relations with USG officials over the years and his desire  
(along with other Cabinet members) to establish the same with  
Homeland Security. Ambassador encouraged Collette in this  
regard, but suggested he wait until after March 1 to allow  
DHS time to complete its first organizational tasks.

#### Aviation

17. (SBU) Then a long discussion of aviation issues ensued.  
The Ambassador started with suggesting that exploratory  
discussions of where we might make further steps in  
liberalization could start. "We ought to start talking," the  
Ambassador said. In response to Collette's questions, the  
Ambassador acknowledged that cabotage remains a tough issue  
for us. The Ambassador then highlighted the benefits to both  
sides of cargo co-terminalization. Collette described the  
benefits of the current cargo system - small Canadian  
carriers, operating out of the hub in Hamilton - and how if  
Canada were to grant co-terminalization, these jobs would be  
lost and the Hamilton hub (now the largest cargo hub in  
Canada) will cease to exist. The uproar just caused by  
Culture Minister Sheila Copps (MP from Hamilton) would be  
enough on its own to stop co-terminalization in its tracks.  
While later admitting to the Ambassador that real benefits

would accrue to small and medium size Canadian business from such a liberalization, the political costs would just outweigh any benefits, he concluded.

18. (SBU) That said, Collette then went on to describe the benefits of the open skies agreement of several years ago. Canadian carriers were the big winners (which they never thought they would be - at one point they even asked Transport for a 15 year phase in period, Collette chuckled), and while the issues now before us are tough nuts to crack, both sides should be prepared to talk. Air Canada is "very competitive" and therefore would benefit from further liberalization, explained the Minister. However, the smaller Canadian carriers, such as West Jet, "could go belly-up." Louis Ranger said that before Open Skies was successfully negotiated, there were at least two years of preliminary meetings. Ranger wondered if we were not at the same starting point right now - while both sides sees little interest in catering to the other's needs, now is the time to start "exploratory talks." When pressed by the Ambassador for advice, the Minister was unable to suggest any Canadian business group whose endorsement of further liberalization would give the Liberal Government "political cover." In fact, Collette opined, the probable successor to the current PM - Paul Martin - is probably less likely to support further liberalization ("more nationalistic") than the present administration. Two specific agenda suggestions of the Minister were: how to deal with the EU, and what the "North American air zone" is likely to look like ten years from now.

(Note: in a February 5 meeting with senior UPS officials, the Ambassador asked them about the effects of liberalizing air cargo on the future of the Hamilton hub. They quickly replied that UPS had invested quite a bit in Hamilton and it would continue to be an important part of UPS's cargo operations. In fact, they said that if liberalization were reached, Hamilton would likely to grow in investment and jobs. Toronto Airport has too many flight restrictions and no room for cargo expansion. End Note)

#### St. Lawrence Seaway

19. (SBU) Ranger then switched topics to the St. Lawrence Seaway. There was a request made to the IJC to investigate deepening of the Seaway - it was to cost US\$20 million - half paid by each government. Where did it stand? We did not know, but said we would get back to the Minister. Collette said that he recently had meetings with the Georgian Bay residents who are very concerned about water levels.

#### Border infrastructure

10. (SBU) A short discussion of truck and road issues ensued, with Collette explaining that Windsor, Ontario is not really interested in increasing truck traffic - and no interest in expanding current infrastructure. Rather, said the Minister, US Customs needs to increase the number of inspectors in the booths - at present Collette said the GOC estimate the U.S. booths run at only 55% of capacity. Ambassador replied that Customs has, in fact, hired more inspectors, but those extra folks are now only working their way through the training cycles. Both agreed we need to keep our options open regarding use of the Detroit-Windsor railroad tunnel and more highways.

11. (U) Collette concluded the luncheon by explaining he will be at an "inter-modal" conference in Denver in April during which he will make a keynote speech. He is also on the board of the International Center at Stanford, and hoped to travel to Stanford around the time of the Denver meeting.

KELLY